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Message Text

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65/46
ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 IO-11 ISO-00 STR-04 STRE-00

SSO-00 NSCE-00 USIE-00 INRE-00 XMB-02 OPIC-03 FEA-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 /113 W
---------- 037651
O R 151120Z MAR 76
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 8729
INFO AMEMBASSY ISLAMABAD
USMISSION EC BRUSSELS

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PASS STR FOR MIKE SMITH

C O R R E C T E D COPY: TEXT CHANGE PARA 3 LNS 6,7,&8

E.9. 11652: BM/QA
TAGS: GATT, ETRD
SUBJECT: TEXTILES: EC-PAKISTAN DISPUTE ON EC PHASE-OUT PROGRAM

REF: (A) GENEVA 1852 (B) GENEVA 1600

1. GATT DIR GEN LONG INFORMED US TSB REP AFTERNOON MAR 12 IM-
MEDIATELY FOLLOWING HIS RETURN FROM PAK VISIT (PARA 4 REF B)
OF HIS DISCUSSIONS WITH PAK OFFICIALS ON PA'S MANILA INITIA-
TIVE. LONG STARTED OUT BY SAYING THAT WHILE IT HAD BEEN HIS
INTENT TO RAISE SUBJECT WITH PAKS, HE NEVER HAD A CHANCE;
THEY RAISED IT IN OPENING TALKS AND DIRECTLY, OVERTLY RELATED
THEIR MANILA INITIATIVZ TO THEIR DISSATISFACTION WITH MFA AS
INSTITUTIOM WHERE ONE PARTICIPANT (ZC) COULD FLAGRANTLY DIS-
HONOR, APPARENTLY WITH IMPUNITY, ITS OBLIGATIONS. LONG SAID
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SUBJECT EC DISPUTE AROSE IN VIRTUALLY EVERY TALK HE HAD HAD

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FROM TOP OF GOP, THROUGH WORKING LEVEL DOWN TO INDUSTRY
LEADERS. HIS CONCLUSION WAS THAT IF MFA WAS TO BE EX-
TENDED WITHOUT LENGTHY, TIME-CONSUMING DEBATE AND NEGO-
TIATION OF EXTENSIVE AMENDMENT, WHICH EXPORTING COUNTRIES
LED BY PAKISTAN, INDIA AND OTHERS ARE SURE TO DEMAND,
AN EARLY SETTLEMENT OF EC-PAK DISPUTE WAS, IN HIS VIEW,
A SINE QUA NON. LONG SAID THAT PAK OFFICIALS HAD MADE
CLEAR TO HIM THAT WHILE THEY THOUGHT MFA AS IT STOOD WAS
A USEFUL INSTITUTION AND HAD BEEN OF BENEFIT TO PAKISTAN,
THEY COULD NOT AND WOULD NOT SUPPORT ITS EXTENSION IF EC
WAS ALLOWED "TO GET AWAY WITH" WHAT THEY ARE DOING UNDER
THEIR PHASE-OUT PROGRAM. IN PAK VIEW, NOT ONLY WAS EC
INTERPRETATION OF ART 2 WRONG AND SELF-SERVING, BUT,
MOREOVER, EC NEGOTIATORS WERE DISHONEST IN FAILING
TO MAKE CLEAR TO PAKS THEIR ART 2 POSITION BEFORE SIGN-
ING BILATERAL. IN SUMMARY, RIGHTLY OR WRONGLY, PAKS
BELIEVE THEY HAVE BEEN "CHEATED" BY EC. LONG SAID HE ALSO
CONVEYING FOREGOING TO EC.

2. US REP TOLD LONG OF POSSIBILITY OF "POLITICAL SETTLE-
MENT" (PARA 5 REF A) IN COURSE SOAMES' VISIT. LONG SAID
HE THOUGHT HIS HAD POSSIBILITIES AND WOULD SO INFORM EC.
SAID IF THIS DIDN'T HAPPEN, THOSE INTERESTED IN MFA EXTEN-
SION WOULD, IN HIS VIEW, HAVE TO EXERT MAXIMUM PRESSURE ON
BOTH EC AND PAKISTAN. IN THIS CONNECTION, OBSERVED THAT
HE UNDER IMPRESSION "US HAD CONSIDERABLE INFLUENCE IN
ISLAMABAD" AND, IN HIS OPINION, SHOULD CONSIDER USING IT.
LONG AND US REP AGREED KEEP IN CLOSE TOUCH REGARDING
DEVELOPMENTS THIS PROBLEM.

3. AFTER CONSIDERABLE THOUGHT, US REP BELIEVES THAT
SITUATION NOT YET RIPE FOR US INTERVENTION WITH ISLAMABAD.
WE SHOULD AWAIT OUTCOME SOAMES DISCUSSIONS WITH PAKS.
PAK REPS HERE HAVE AGREED KEEP US REP INFORMED CURRENT
DEVELOPMENTS. IN ANY EVENT, SHOULD SOAMES-PAK TALKS
HAVE NEGATIVE RESULT, BELIEVE WE SHOULD MAKE OUR FIRST
BILATERAL EFFORT WITH EC. EC IS WRONG IN POSITION THAT
UNILATERAL PHASE-OUT IS LEGAL UNDER MFA ART 2 PARA 2(II)
PROVISIONS; IT IS NOT. THOUGH IT DOUBTFUL WE WILL HAVE
ANY CONCRETE NEWS FROM ISLAMABAD BY TIME MEYNELL'S
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WASHINGTON VISIT, WASHINGTON SHOULD: A) PULL OUT ALL
STOPS IN LETTING MEYNELL KNOW THAT WE REGARD THIS DIS-
PUTE AS A CRITICAL FACTOR IN FUTURE OF MFA;
AND, B),
ASK THAT EC KEEP US INFORMED OF DEVELOPMENTS. THIS, OF
COURSE, MEANS DEVELOPMENTS NOT ONLY REGARDING PAKISTAN,
BUT ALSO WITH INDIA, KOREA AND HONG KONG; ALL OF WHICH
ARE INVOLVED IN EC UNILATERAL PHASE-OUT PROGRAMS.

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4. IF ALL ELSE FAILS, US SHOULD THEN GO TO PAKS AND:
A) ASSURE THEM THAT US IS IN FULL AGREEMENT WITH PAK
INTERPRETATION MFA ART 2:2(II); B) THAT, WHILE WE WILL
GIVE THEM FULL SUPPORT ON THIS POINT IF IT COMES TO
CONFRONTION IN TSB, TSB CANNOT FORCE EC TO DO ANYTHING;
C) THAT PAKS REALLY OUGHT TO CONSIDER OVERALL BENEFITS
MFA HAS BROUGHT PAKISTAN BEFORE RISKING BRINGING DOWN
THE STRUCTURE ON AN INSOLUBLE ISSUE OF "PRINCIPLE";
AND, D) FINALLY, THAT US WILL USE ALL INFLUENCE POSSIBLE
WITH EC TO INSURE THAT ANY "NUMBERS" SETTLEMENT REACHED
WOULD MEET PAKISTAN'S REAL TRADE PROBLEMS. WE SHOULD,
AT SAME TIME, LET PAKS KNOW THAT, WHILE WE UNDERSTAND
PROVOCATION BEHIND PAK'S MANILA INTIIATIVE, WE DO NOT
REGARD IT AS BEINGHIN ANY CONCRETE INTEREST OF EITHER
PAKISTAN OR US. PRAGMATIC ARGUMENTS SUPPORTING THE FORE-
GOING APPROACH SHOULD BE RELATIVELY EASY TO DEVELOP.

5. US REP WILL REPORT PROMPTLY ANY DEVELOPMENTS KNOWN
GENEVA. DALE

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